

ECRAN/IIEA Seminar: Chinese Investment into the EU: What to make of it?

An Overview of the Chinese Economy and its Importance for the EU

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An Overview of the Chinese Economy

**Historical
Review**

**China in the World
Economy and
Global Financial
Crisis**

**The Problems
with Chinese
Economy**

Its Importance for the EU

Trade

**Foreign Direct
Investment**

**Europe's
Sovereign-
Debt Crisis**

An Overview — Historical Review

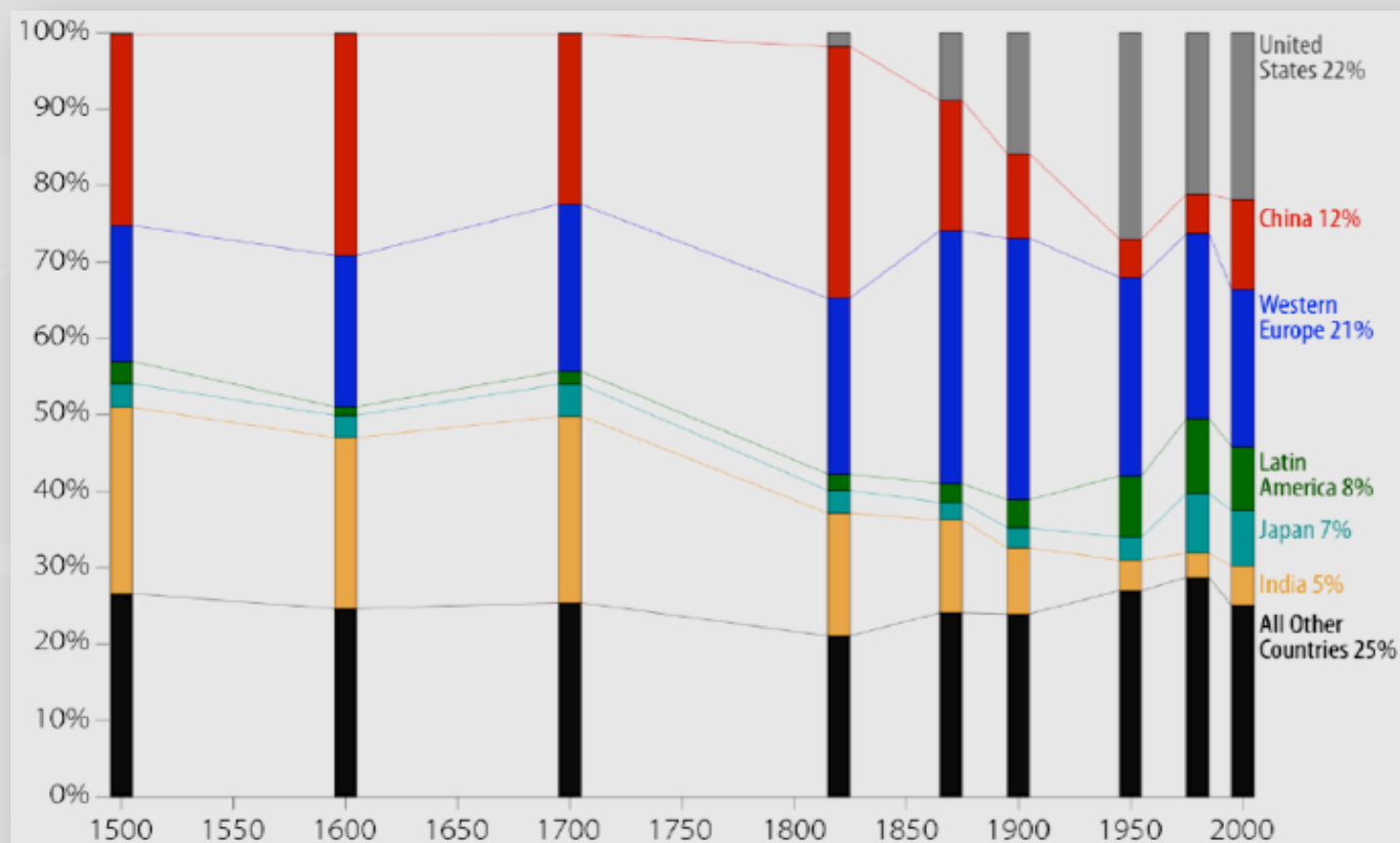


中国 – The Middle Kingdom



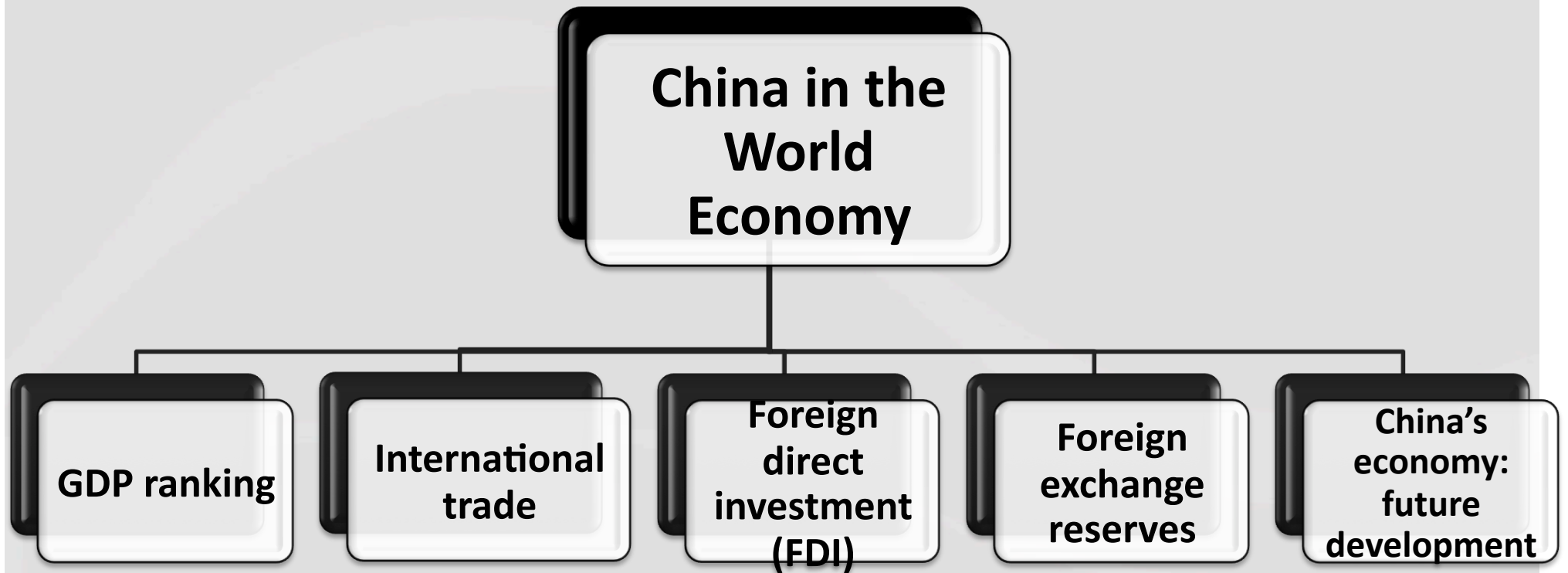


Share of World GDP, 1500-2000































Source: Augus Maddison, University of Groningen



































An Overview — China in the World Economy



GDP Ranking by IMF, 2010

PPP			Nominal		
Rank	Country	GDP \$M	Rank	Country	GDP \$M
—	World	74,264,080	—	World	62,909,274
—	 European Union	15,170,419	—	 European Union	16,282,230
1	 United States	14,657,800	1	 United States	14,657,800
2	 People's Republic of China	10,085,708	2	 People's Republic of China	5,878,257
3	 Japan	4,309,532	3	 Japan	5,458,872
4	 India	4,060,392	4	 Germany	3,315,643
5	 Germany	2,940,434	5	 France	2,582,527
6	 Russia	2,222,957	6	 United Kingdom	2,247,455
7	 United Kingdom	2,172,768	7	 Brazil	2,090,314
8	 Brazil	2,172,058	8	 Italy	2,055,114
9	 France	2,145,487	9	 Canada	1,574,051
10	 Italy	1,773,547	10	 India	1,537,966
11	 Mexico	1,567,470	11	 Russia	1,465,079
12	 South Korea	1,459,246	12	 Spain	1,409,946
13	 Spain	1,368,642	13	 Australia	1,235,539
56	 Ireland	172,345	43	 Ireland	204,261

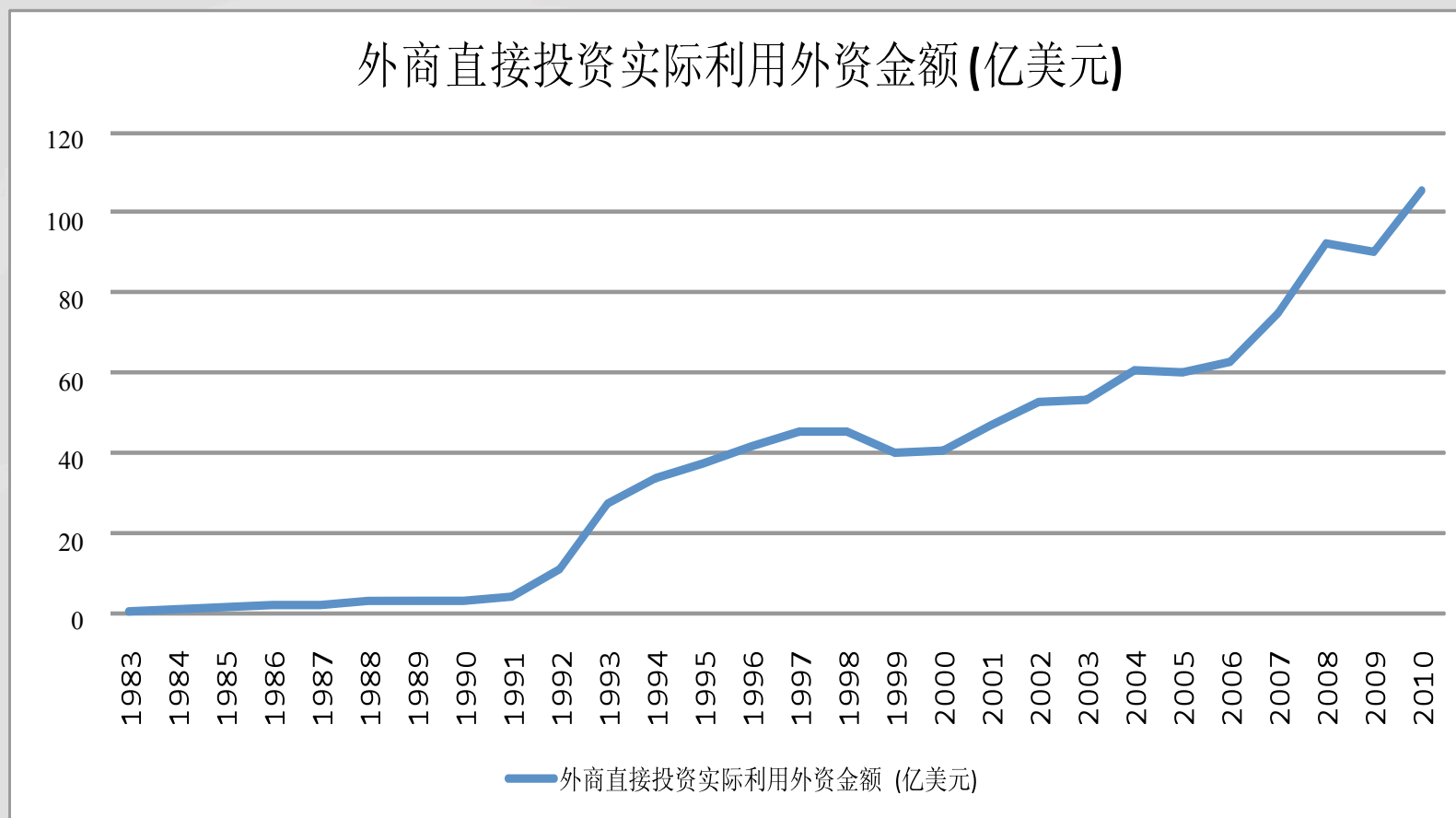
GDP Per Capita by IMF, 2010

PPP			Nominal		
Rank	Country	Intl. \$	Rank	Country	US\$
1	 Qatar	88,559	1	 Luxembourg	108,832
2	 Luxembourg	81,383	2	 Norway	84,444
3	 Singapore	56,522	3	 Qatar	76,168
4	 Norway	52,013	4	 Switzerland	67,246
5	 Brunei	48,892	5	 United Arab Emirates	59,717
6	 United Arab Emirates	48,821	6	 Denmark	56,147
7	 United States	47,284	7	 Australia	55,590
-	 Hong Kong	45,736	8	 Sweden	48,875
8	 Switzerland	41,663	9	 United States	47,284
9	 Netherlands	40,765	10	 Netherlands	47,172
10	 Australia	39,699	11	 Canada	46,215
11	 Austria	39,634	12	 Ireland	45,689
12	 Canada	39,057	13	 Austria	44,987
13	 Ireland	38,550	14	 Finland	44,489
52	 Russia	15,837	53	 Brazil	10,816
71	 Brazil	11,239	56	 Russia	10,437
94	 China, People's Republic of	7,519	94	 China, People's Republic of	4,382













International Trade, 2010

Rank	Country	Total International Trade (Billions of US\$)
1	 United States	3,225.0
2	 People's Republic of China	2,908.0
3	 Germany	2,402.0
4	 Japan	1,404.3
5	 France	1,107.8
6	 United Kingdom	971.9
7	 Italy	921.5
8	 Netherlands	914.9
9	 South Korea	886.7
-	 Hong Kong	825.6
10	 Canada	793.7
11	 Singapore	668.8
12	 Russia	648.8
13	 India	606.7
14	 Mexico	604.5
15	 Belgium	569.3

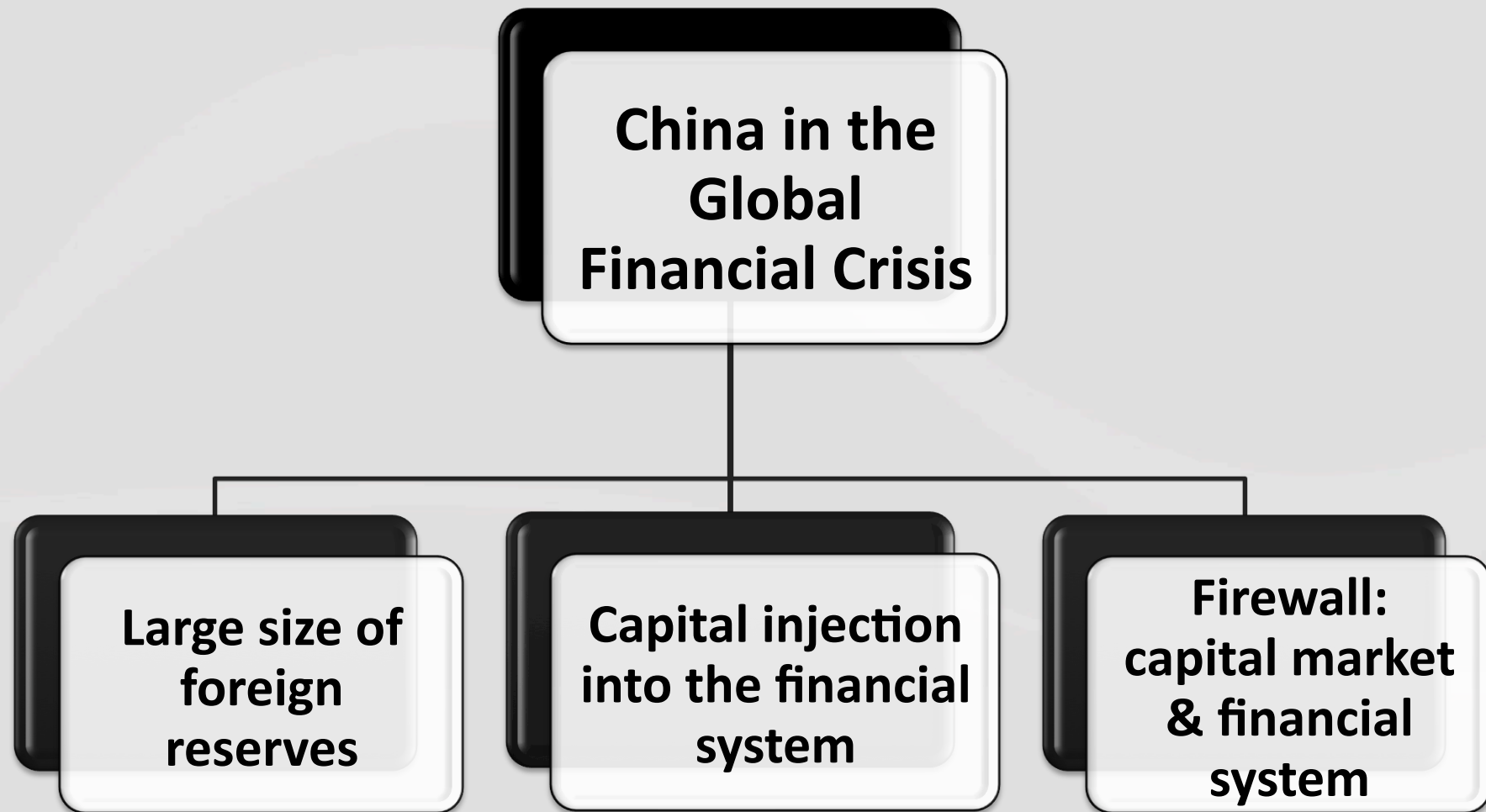
FDI Growth in China, 1983-2010 (Billions of US\$)



Foreign Exchange Reserves, 2010

Rank	Country/Monetary Authority	Foreign exchange reserves (Millions of USD)	Figures as of
1	 People's Republic of China	2,622,000	Dec 2010
2	 Japan	1,137,809	Jun 2011
-	 Eurosystem (EU member states which have adopted the euro, incl. ECB)	852,622	May 2011
3	 Russia	524,527	Jun 2011
4	 Saudi Arabia	456,200	Dec 2010
5	 Taiwan	387,200	Dec 2010
6	 Brazil	335,775	Jun 2011
7	 India	318,220	Aug 2011
8	 South Korea	305,084	May 2011
9	 Switzerland	288,590	May 2011
-	 Hong Kong	277,206	Jun 2011
10	 Singapore	249,149	Jun 2011

An Overview — China in the Global Financial Crisis



China's Response to the Crisis



- Monetary policy: cut interest rates (5 times)
- Fiscal policy: \$586 billion stimulus package
 - Infrastructure, railways, roads, nuclear power
 - Housing
 - Projects related to well-being of rural residents
 - Social welfare
 - Environmental protection
 - Tax deduction (\$75 billion)

China in the Global Financial Crisis



GDP Growth, 2007-2010

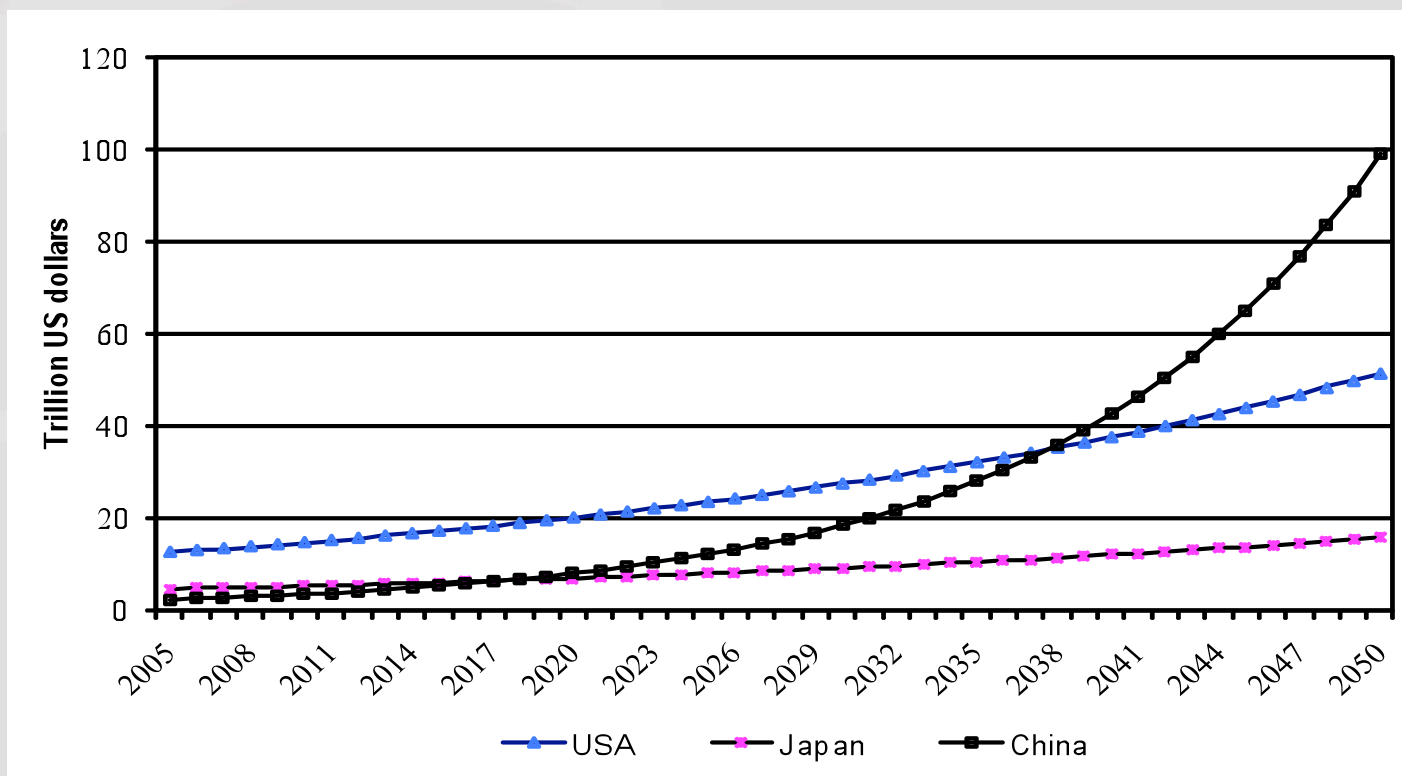
	2007	2008	2009	2010
World	5.4	2.9	-0.5	5.0
China	11.4	9.6	9.2	10.3
US	1.0	0.0	-2.6	2.8
EU	2.9	0.4	-4.1	1.7

(Source: World Economic Outlook, IMF April, 2011)

Prospects up to 2050

Projected Total GDP of China, 2005-2050

(Measured in Nominal Dollars)

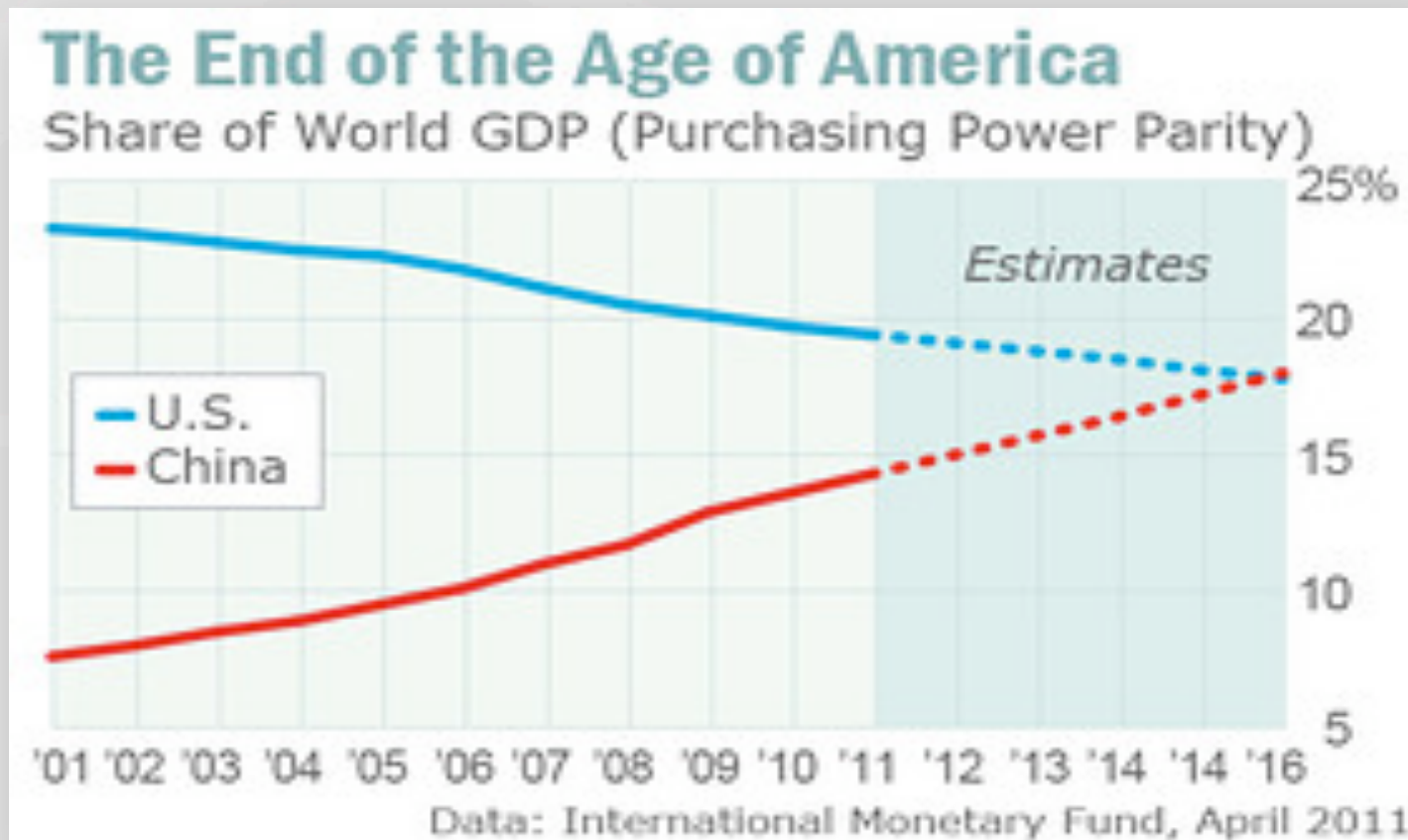


Notes: Assuming the average growth follows the trend 1980-2005

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Prospects up to 2016

Projected Total GDP of China, 2001-2016



The Problems with Chinese Economy



Structure

High share of fixed asset investment and low percentage of consumption in GDP

Inflation

Hot money, property bubble, and money supply

Growth model

Environmental sustainability, the rising level of inequality, and growing dependence on exports

China: A New Economic Model?



Its Importance for the EU — Trade



China is now the EU's 2nd largest trading partner behind the US and the EU's biggest source of imports by far. The EU is also China's biggest trading partner.

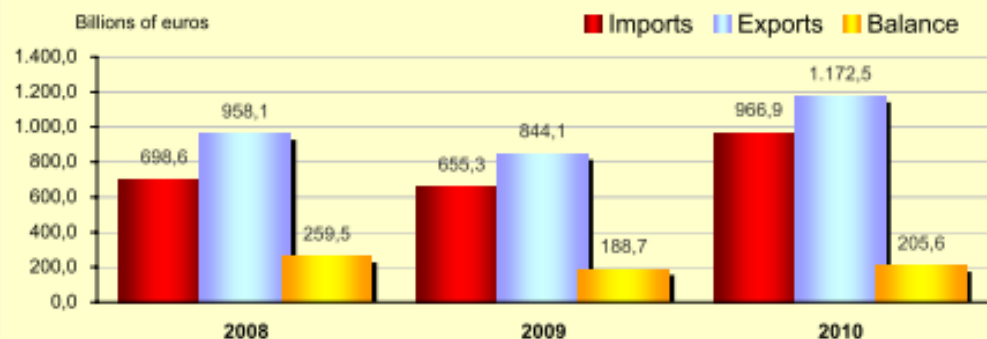
Trade in goods

EU goods exports to China 2010: €113.1 billion (+38% on 2009)

EU goods imports from China 2010: €281.9 billion (+31% on 2009)

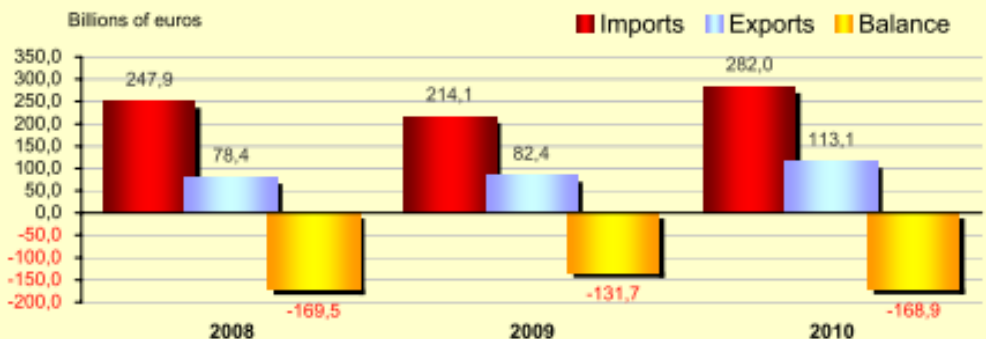
TRADE IN GOODS

CHINA WITH THE WORLD



Source: IMF (Direction of Trade Statistics - DoTS)

EU27 WITH CHINA



Source: Eurostat, Statistical Regime 4

% OF THE WORLD (excluding Intra-EU Trade)

	2008	2009	2010
Imports	8,5%	9,8%	11,1%
Exports	12,2%	13,2%	14,2%
Balance	13,5%	13,5%	14,3%
Imports	8,2%	8,8%	11,1%

% OF THE WORLD (excluding Intra-EU Trade)

Source: IMF (Direction of Trade Statistics - DoTS)

% OF TOTAL EXTRA-EU27

	2008	2009	2010
Imports	15,8%	17,7%	18,8%
Exports	6,0%	7,5%	8,4%
Balance	12,8%	13,3%	18,8%

% OF TOTAL EXTRA-EU27

Source: Eurostat, Statistical Regime 4

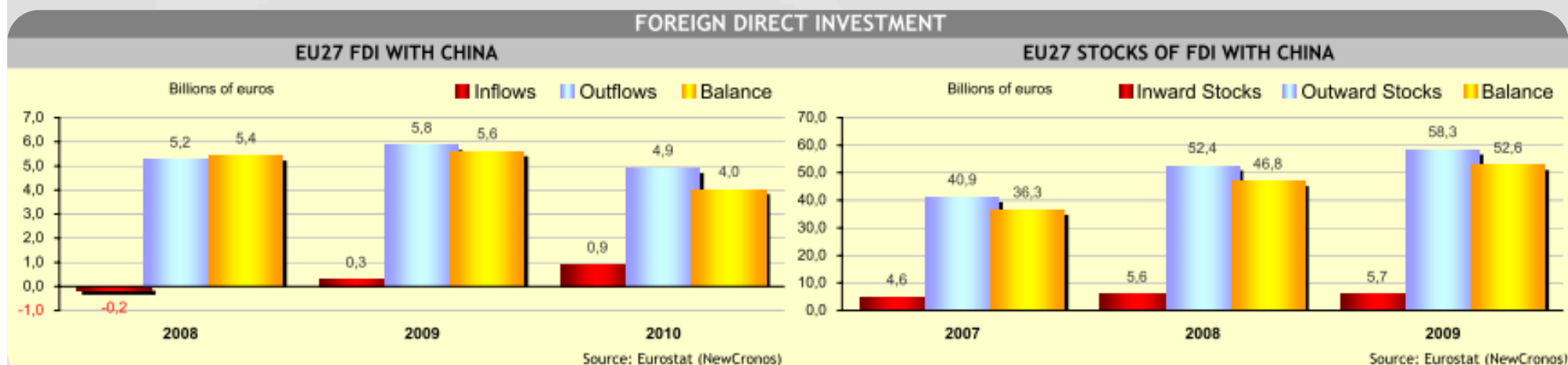
Its Importance for the EU — FDI



Foreign Direct Investment (FDI)

EU inward investment to China 2010: €4.9 billion

China inward investment to EU 2010: €0.9 billion



Its Importance for the EU — Europe's Sovereign-Debt Crisis



Investment in Government Bonds

Senior CPC
Officials to visit
European
Countries

To diversify
foreign exchange
reserves

In Irish Case



Government Level

- China Strategy Group
- Setting up a Dialogue Mechanism

Sector Level

- Banking Sector
- Tourism Sector
- Renewable Energy Sector
- Agriculture and Food Sector
- Construction Sector
- ICT & Pharmaceuticals

Conclusion Remarks



China and the EU are each becoming part of the solution to the other's challenges. In other words, China cannot continue her rise without the EU - and the EU's future development needs China.

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